3: Anonymous U-4 (no date) 1920 RH1 Caucasia RH1

extremity of Burun Tabia, which is the western point of the bay.

The harbours, though approachable in all weathers, are exposed to the violence of south-westerly gales; and in 1910 the British Consul stated that complaints were general with regard to their unsafe condition. In 1911, on the subsidence of one of the moles, a scheme was framed which comprised considerable extensions and improvements. The funds provided by the Congress of Harbour Authorities were at first insufficient, but in 1913 the sum of £750,000 was provisionally assigned. The preliminary work and surveys were completed by June of the following year, but on the outbreak of war the undertaking had to be abandoned.

The dangers incurred by shipping in bad weather and the inadequacy of the port to deal with increased traffic resulting from the manganese trade have for years impeded the commercial development of Batum. From 1878 to 1886, however, it enjoyed eight years of exceptional prosperity as a 'free port'. Even after the withdrawal of this privilege in 1886, the petroleum export maintained trade at a high level until the labour disturbances of 1903–5, from the disastrous effects of which the port has not yet recovered. The total value of its trade in 1913 was £5,134,732, of which £4,552,200 represented exports and £582,532 imports. Coasting trade, carried on exclusively by Russian ships, was very prosperous in that year.

Gagri is an open roadstead, providing anchorage for small vessels in 5–6 fathoms. The Government had in contemplation a scheme to build a harbour of refuge there, for which a sum of £211,000 was assigned in 1913.

Gelendjik Bay, which is 2¼ miles long and 1¼ miles deep, is sheltered from the violent north-east winds. Light vessels find good anchorage in 12 ft. of water.

The open roadstead at *Gudaut* is used by coasters only.

Novorossiisk harbour has been artificially formed by the construction of two moles, each half a mile long. On

504 [413] the shore front there are 7 piers with depths varying from 19 to 29 ft. at their outer ends. Five of these piers are owned by the Vladikavkaz Railway Company, one by the Russian Steam Navigation and Trading Company, and one by the Russian Standard Oil Company, and all are connected by double lines of rail with the terminus railway station. There is also on the south-west of the harbour a mole, used by coasters, with a depth of 23 ft. alongside. Altogether, there are berths for about 22 steamers.

In autumn and winter anchorage at the head of the bay is rendered very unsafe by the *bora*, a violent north-easterly wind which then prevails; vessels are sometimes unable even to enter.

The harbour is lit by electric light and there are ample loading facilities. The Vladikavkaz Railway storehouses can take 70,000 tons of grain. An iron foundry close to the harbour makes marine boilers and executes repairs.

[439] Novorossiisk has a considerable export trade in grain and mineral oil, amounting to about £5,000,000 a year in value. The imports are inconsiderable, and consist chiefly of machinery, hardware, and coal.

Poti harbour affords safe protection to shipping, but is practically unapproachable in bad weather. An outer and inner basin are formed by two moles built of concrete blocks. Another mole in the middle of the outer basin carries two lines of rails and several large sheds. In the inner basin there are berths for eight or ten steamers and an elevator for loading manganese. The length of quayage is 1,500 yds.

[439] In 1913 the value of the exports, of which manganese was by far the most important, was £835,972, whilst the value of the imports for the same year was only £7,350.

Sochi is used by sailing vessels, which anchor off Sochi town in 16 fathoms. Steam vessels are able to anchor closer inshore. Sochi was included in the Government scheme for the construction of ports of refuge on this coast.

504 Bailov, and on the east by the Kargin Islands, which lie at the entrance to the bay, 7 miles out at sea. A line of quays extends 4 miles, and there are 14 piers, owned by various shipping companies, each company having its own wharf, warehouses, and offices. In [655] 1914 the State assigned £100,000 for the building of other wharves, although there was already ample accommodation for the steamers engaged in oil transport and in the Transcaspian trade. At Cape Bailov there is a capacious dock.

Derbent (Derbend), 154 miles to the north-west of Baku, is an open roadstead, affording no protection from the north and south-east winds, which blow with great violence at certain seasons. There are no harbour facilities, but various shipping lines visit the port regularly. There is a considerable local trade in fish.

Lenkoran, on a shallow bay, offers only exposed and indifferent anchorage. Large ships lie 3 miles out to sea. There is a considerable trade in boxwood.

Petrovsk, 81 miles north-west of Derbent, has a fair harbour, formed by a curved stone mole, 500 yds. long, on the south. There is a wooden pier on the north, and both mole and pier are connected by lines of rails with the railway station. There are berths for about 10 steamers. The quays and wharves are lit with electric light. The port is closed by ice in January only, and in the winter months, when the Volga is [439] frozen, Petrovsk does a considerable transit trade between Russia in Europe on the one side and Persia and Transcaspia on the other. It also exports oil from Grozni to the Volga. All the Caspian Sea steamship companies call at Petrovsk regularly.

(*b*) *Shipping Lines*

505 (i) *Russian.*—The Russian Steam Navigation and [477] Trading Co. had almost a monopoly of the Black Sea shipping services, and, under a contract due to expire in 1928, received an annual subsidy of £98,000 from the State. It had piers at the ports of Batum and

3: Anonymous U-4 (no date) 1920 RH1 Caucasia RH1

231 wool production was 14,946 tons in 1908, 13,339 tons
236 in 1909, and 17,356 tons, of which 16,473 tons were fine wool and 883 tons coarse, in 1913. The nomad Kurds, the Tatars, the Ossetes, the Svanetians, the Kabards, and the Abkhasians live principally by their flocks and herds, which they raise by primitive methods. Part of the wool crop is sold in the Tatar camps at shearing time to local carpet-weavers; part is exported.

231 *Honey* and *wax* are obtained throughout the Caucasus. In 1912 there were 26,000 apiaries, containing nearly 600,000 hives, and the production was 2,500 tons of honey and 300 tons of wax, most of which was consumed locally.

Silk.—Mulberry-trees are grown on the lower slopes of the Transcaucasian mountains, and the silkworm industry, after a period of depression due to the spread of disease amongst the silkworms, has developed greatly of late years, especially in the Governments of Tiflis, Erivan, Elisavetopol, and Kutais. In the Baku Government, where it was once widespread, the industry is only continued to any considerable extent in the district of Geokchai. Much of the output, which in 1914 amounted to over 5,000 tons, is normally consumed in local silk manufactures. Silkworm eggs were
● [439] imported, principally from Turkey and Italy, and were strictly examined by the Imperial Agricultural Society at Tiflis. The failure of the Turkish supply after 1914 adversely affected subsequent cocoon crops.

(*b*) *Methods of Cultivation*

242 Ciscaucasia is far in advance of Transcaucasia in respect of agricultural methods, a fact due in part to the more enterprising character of the Cossack population and in part to the less isolated geographical position of the northern provinces. In both divisions of the country, however, there has in recent years been a notable advance in agricultural science, evidenced by the rapid development of co-operation. Whereas in 1909 there were 100 agricultural associations in the

3: Anonymous U-4 (no date) 1920 RH1 Caucasia RH1

312 and 20,000 settlers planted. These improvements had cost £425,000 up to 1914. The water for irrigation was to be obtained chiefly by controlling the rivers Aras and Kura, which in their lower reaches overflow their banks and form permanent marshes. The question of the regulation of all the principal rivers of the country was being officially studied.

(c) *Forestry*

137 [65] The total area of forest land in Caucasia cannot be stated with certainty. The extent of the forests under the control of the Ministry of Forests was 12,218,000 acres, or about 11 per cent. of the total area of the country and rather more than half of its cultivated area. Kasperowicz [1] puts the total at 16,000,000 acres, and specifies as being favourably situated for commercial exploitation, 1,372,000 acres in Tiflis and Zakatali, 1,008,000 in Elisavetopol, 863,000 in Chernomoria, 807,000 in Kuban, 705,000 in Terek, 647,000 in Batum, 453,000 in Kutais, and 417,000 in Sukhum. The largest tracts of virgin forest are to be found on the mountain slopes of the Black Sea coast; there is a large forest north of Lake Gokcha, and another in the east of Elisavetopol Government; the middle course of the Kura is wooded throughout, and there are considerable forests in the Armenian Highlands. The best exploited forests in Transcaucasia are those in the Ateni valley near Gori, in the Adzhamer valley near Rion, and at Borzhom—all to the west of Tiflis or the east of Kutais.

The trees include walnut, box, beech, oak, birch, Caucasus palm, wych-elm, pine, alder, &c., of which the first five are the most valuable. The walnut and box tree grow extensively in Transcaucasia; their timber formed a valuable article of export, but the quantities exported are declining, since the remaining walnut forests are remote from railways, and the boxwood is being held back to await more favourable

[439]

[1] Raffalovich, *Russia: its Trade and Commerce*, p. 94.

317 to unscientific methods of removal. Much ore is con-
[364] sequently wasted. Since 1909 an increasing amount of ore has been washed for the preparation of ferro-manganese, and this has resulted in the serious pollution of the River Kvirili, which runs through the mining district. Regulations have been made to control the practice of discharging refuse into the river, and plans formed to collect the refuse-laden water in an artificial basin, where it could be purified and utilized for generating electric power to be employed in the ferro-manganese furnaces. Little improvement, however, had been effected by 1914.

[471] Many small native firms are occupied in manganese-mining. A little before the war foreign capitalists were acquiring manganese-bearing land, which is usually leased in small lots of from half an acre to 50 acres in extent; about 1910 there was an extensive acquisition of unworked land by German firms. The recent tendency has been for the control of the industry to pass from small to large concerns.

There was a heavy slump in manganese just before 1908, but since that year the output has greatly increased: in 1910 it amounted to 548,300 metric tons; in 1911 it fell again to 451,600 metric tons, but in 1912 it rose to the high figure of 913,500 metric tons, and in
[439] 1913 to 1,051,500 metric tons. Nearly the whole output is exported; export figures are given on pp. 83 and 84. The trade was very heavily hit by the war.

Chiaturi competes with India and Brazil for pride of place as supplier of manganese to the world. It has, however, been handicapped by difficulties of transport, though favoured to some extent in the matter of freight rates. The Sharopan–Sachkeri rail-
[492] way lies some distance from the mines, and the ore has to be conveyed in carts or on pack animals to the station, whence further carriage to Poti or Batum is both slow and expensive. The Association of Manganese Producers (see p. 79) had up to 1914 failed to secure from the State anything beyond promises of improvement.

3: Anonymous U-4 (no date) 1920 RH1 Caucasia RH1

district); at Dzansul copper mines (1,000 horse-power); and two at Erivan.

Smaller electric plants are to be found at New Athos Monastery (at Goro); at Borzhom, on the Grand Ducal estates; and at Akhalkalaki, in private hands.

The electric power-stations on the Baku oil-fields have already been mentioned (see p. 73).

The water-power offered by the rapid streams of the Caucasus has hitherto been almost entirely neglected, but in 1914 an important scheme was set on foot for the erection of two large power-stations, one on the Terek at Kazbek on the Georgian Military Road, and the other at Elenoffka, in Erivan, utilizing the waters of Lake Gokcha. The concession for the erection of turbines and generators for supplying power to all the industrial centres of Caucasia as well as for the lighting of cities was granted to a British company, and preliminary work had been carried out by August 1914.

A scheme was also under discussion in 1913 and 1914 for utilizing the refuse-laden overflow of the River Kvirili for generating electric power to be used in ferro-manganese furnaces.

(C) COMMERCE

(1) Domestic

(a) *Towns, Markets, and Fairs*

Baku, besides being the refining centre for the oil produced in the neighbouring fields, is also a distributing centre for the imports of Central Persia and Transcaspia. The volume of trade which passed through Baku to and from Persia and Russian Central Asia in 1912 amounted to over 5,000,000 tons, and was steadily increasing in 1914 at the expense of that of the trans-Armenian and trans-Mesopotamian routes. The population of Baku and the adjacent oil-fields in 1914 amounted to nearly 380,000. In 1909 the municipality raised a loan of £2,842,000 (of which £1,300,000 was

3: Anonymous U-4 (no date) 1920 RH1 Caucasia RH1

British capital has played an important part in various other public enterprises. 315 471

Certain minor commercial undertakings, such as pottery-making at Tiflis, wine-growing in Terek, and timber exploitation in the Rion district, are in Italian hands.

(d) *Methods of Economic Penetration*

For some years past the Germans have adopted their usual business methods with success in the Caucasus.[1] They appointed agents who spoke Russian fluently, and who were invested with full powers to act for the firms they represented. A single firm frequently offered widely varying lines of goods, of which the agents could produce samples. All catalogues and price-lists were printed with Russian quotations in the Russian currency, and were therefore much more popular than those of British firms, which were invariably presented in English only, with prices quoted in English money. 434 ●

The nearest British agencies were at Rostov-on-Don. British firms were unwilling to give the credit expected by Russian merchants, and appeared indifferent to local prejudices and preferences in regard to the nature of goods to be supplied. They were, therefore, at a disadvantage in competing with the more enterprising German. In certain lines of goods, such as ready-made clothes, haberdashery, boots and shoes, drugs, all kinds of fancy goods and stationery, Germany and Austria-Hungary held the market; and they were beginning to encroach on the steel, agricultural machinery, engine, and motor trades, once almost exclusively British.

(2) Trade with Russia

Most of the manufactured goods required by Caucasia are supplied by Russia, the chief exceptions being machinery and other metal goods; produce of various

[1] In 1916 a German-Georgian society was established in order to cultivate economic intercourse between the two countries.

3: Anonymous U-4 (no date) 1920 RH1 Caucasia RH1

● 43 kinds is sent in exchange. Ciscaucasia, indeed, produces little that cannot be obtained in other parts of the Empire, except the oil of Grozni and Maikop; but Transcaucasia is in somewhat the same relation to Russia as a sub-tropical colony to a northern mother country.

Russia now takes by far the greater part of the Caucasian oil output. At one time no more went thither than was shipped to foreign countries, but the labour troubles of 1905 combined with the competition of America to deprive Baku of its market not only in China and Japan but even in Arabia and Mesopotamia. Compensation for this loss has, however, been found in the increased demand from Russia. In 1913, out of 6,000,000 tons of oil products sent out of Caucasia, 5,000,000 tons went to Russia. Of these, at least 3,000,000 were residuum, which is used as fuel for steamers, locomotives, and factory boilers; 1,000,000 were crude oil; and 1,000,000 refined oil. The export to foreign countries, on the other hand, consisted almost exclusively of lubricating and illuminating oil.

Other commodities which Caucasia sends to Russia are copper, tobacco, wine, raw silk and cocoons, wool, cotton, and fruit. In the case of tobacco, cocoons, and wool, there is also a foreign export, but it is small in comparison. Russia also takes practically all the cement[1] which is shipped from Novorossiisk, and probably the greater part of the live-stock.

(3) Foreign

(*a*) *Exports*

It is not easy to come to any conclusion as to the value of the export trade of Caucasia immediately before the war. No statistics are available for shipments from the smaller ports or for overland trade with Turkey and Persia, but it is unlikely that either was of considerable value. A more serious difficulty is with regard to the value of trade passing through the

[1] 234.000 tons in 1910; 301,000 tons in 1912.

3: Anonymous U-4 (no date) 1920 RH1 Caucasia RH1

three chief ports—Batum, Novorossiisk, and Poti. 439 The latest year for which complete figures are available is 1908, when exports from Batum amounted in value to £3,242,138, from Novorossiisk to £2,957,686, and from Poti to £478,345, so that the total value was £6,678,169. In 1913 the total exports from Batum and Poti amounted in value to £5,388,172. A moderate estimate for the export trade of all three ports in that year would be about £14,000,000. If sales to Russia were reckoned as part of the export trade, its total value would hardly have been less than £30,000,000.

The following table shows the value of the principal exports from the three chief ports in 1908:

Article.	*Batum.*	*Novorossiisk.*	*Poti.*	*Total.*
	£	£	£	£
Carpets	36,000	—	—	36,000
Cement	—	26,533	—	26,533
Grain and flour	40,402	1,573,197	12,735	1,626,334
Liquorice	93,765	37,687	—	131,452
Manganese	11,130	—	458,250	469,380
Oil products	2,441,649	363,747	—	2,805,396
Oil-cake	19,334	626,900	—	646,234
Potash	—	68,632	—	68,632
Seeds (linseed and sunflower)	—	77,574	—	77,574
Silk and cocoons	87,000	—	—	87,000
Timber	348,200	47,975	6,190	402,365
Tobacco	—	25,272	—	25,272
Wool	48,363	15,624	—	63,987

A few additional particulars may be given with regard to some of these exports:

Grain and Flour.—Wheat and barley were shipped largely from Novorossiisk, mainly to Germany direct or *via* Holland, while the export from Poti consisted almost entirely of maize destined for Turkey, Germany, and elsewhere. The values of the Batum and Poti exports in 1913 were £201,900 and £99,815 respectively.

Liquorice root was shipped from Batum mainly to the United States. The value of the export in 1913 was £148,700, but this was above the average, and the export is said to have ceased.

Manganese exported from Poti in 1913 amounted in value to £649,780, and that from Batum to £399,800.

439 Most of the Poti manganese went to Germany, which country in 1913 imported from Russia nearly 447,000 metric tons, most of which, if not all, must have come from Chiaturi.

Oil.—The market for western Europe has been captured by America, but considerable quantities were sent from Caucasia to eastern Europe. The largest export is from Batum, whence in 1913, 610,400 tons were shipped, amounting in value to £2,817,300. No details of the destination of this oil are available. The shipments from Novorossiisk, exclusive of those to Russia, amounted in 1913 to 170,339 tons, and were distributed as follows:

	Tons.
France	59,076
Holland	17,000
Great Britain	54,993
Germany	22,527
Egypt	12,300
Gibraltar	4,443

In the same year 26,500 tons were exported direct from Baku to Persia.

Oil-cake.—The export from Batum in 1913 was 12,445 tons, valued at £77,200. No figures of value are available for the much larger export of 149,244 tons from Novorossiisk. Germany was the chief buyer.

Seeds.—The export of linseed seems to have ceased, but a certain amount of cotton seed was exported to Liverpool, and the export of sunflower seed rose from 10 tons in 1908 to 5,873 tons in 1913.

Silk and *cocoons* were exported from Batum only, and in 1913 the value of the export was £207,700. In 1911, and presumably in other years, the greater part of the export consisted of cocoons imported from Persia or Central Asia. Nearly all the cocoons from the Caucasus went to Russia.

Timber was shipped from all three ports, but only at Poti was there a steady increase in the quantity exported, which rose from 1,541 tons in 1909 to 11,414 tons in 1913; this was due to Italian enterprise in the

3: Anonymous U-4 (no date) 1920 RH1 Caucasia RH1

Rion district (see above, pp. 61, 76). The export values from Batum and Poti in 1913 were £27,900 and £83,590 respectively. 439-

Tobacco was exported from Novorossiisk, and, in much smaller quantities, from Batum. The Novorossiisk export gradually increased, as the quality of Kuban tobacco became better recognized in European markets, and during the Balkan wars Caucasian tobacco began to supplement Turkish. In 1913 the total tobacco export amounted to 4,950 tons, of which 2,000 tons went to Egypt and most of the rest to Germany and France, the United States and Great Britain at the same time taking small quantities. The Sukhum merchants were anxious to increase the export to the United States, but were opposed by the American Tobacco Trust. The value of the export from Batum in 1913 was £51,100.

Wool was exported mainly from Batum, but also from Novorossiisk. The shipments from Batum in 1913 amounted to 4,677 tons, valued at £222,800, and those from Novorossiisk to 185 tons. In all about 17,000 tons of wool were produced in Caucasia in that year, the balance being either sold locally or sent overland to Russia.

(*b*) *Imports*

The imports of Caucasia reach a much lower total value than the exports. Very few statistics are obtainable, no values being given in the British consular reports except for 1913, and then only for goods received at Batum. Imports at Novorossiisk were increasing steadily before 1914, but those at Poti were quite inconsiderable.

Of the total import value of £582,532 at Batum in 1913, £235,800 was assigned to sundries, and this heading must include all the textiles, stationery, china and glass, leather goods, fancy goods, &c. The chief imports specified were tin plates (for oil cases and cans) and machinery, of which the respective values were £112,832 and £106,500. The tin plates were supplied

3: Anonymous U-4 (no date) 1920 RH1 Caucasia RH1

439 largely, but probably not exclusively, by Great Britain and Turkey. The machinery came from America, Great Britain, and Germany, as well as from Russia. Agricultural machinery was supplied chiefly by the United States, with the exception of ploughs, which for the most part came from Germany. British agricultural implements, though frequently found in Ciscaucasia, are rarely seen in Transcaucasia. France took the leading part in supplying motor-cars, though they were also imported from Germany, Switzerland, Italy, the United States and Russia, and a few of superior quality came from Great Britain. Hardware, house-fittings, lifts, and central-heating apparatus were imported exclusively from Germany. Copper wire and copper sulphate came in considerable quantities from Great Britain, which also supplied fire-clay, iron-ware, carbolic acid, and the best quality of belting, the rest of the belting coming from Russia and Germany. Steel for Baku came exclusively from Austria-Hungary and tiles from France. Coal was imported at Novorossiisk from Great Britain and Germany: in 1913 Great Britain supplied 40,000 tons and Germany nearly 11,000; in 1914 Great Britain sent 164,000 tons. Small quantities of chemical fertilizers for experimental purposes were imported from Great Britain and South America. Textiles no doubt came in bulk from Russia, but Germany was working up a trade in haberdashery and Great Britain supplied a little cloth of fine quality to Baku. Great Britain had at one time a monopoly of the supply of china and glass, but in 1914 the supply came from Continental Europe.

The share of Great Britain in European trade with Caucasia was estimated in 1910 to be about 17 per cent., but in the import of certain classes of goods the competition of Germany was making itself more and more severely felt (see also above, p. 81).

(c) *Transit Trade*

Caucasia does a large and increasing transit trade between Europe on the one side and Persia and Russian

3: Anonymous U-4 (no date) 1920 RH1 Caucasia RH1

Central Asia on the other. In respect of trade with Persia it has largely supplanted Mesopotamia and Turkish Armenia, partly on account of the prohibition of the transit of goods from Europe to Persia through these countries, and partly on account of the superiority of the railway system. Baku is the chief centre of this trade, which is facilitated by the regular services between that port and Astara, Enzeli, and Bandar-i-Gaz. The total volume of trade which passed through Baku in 1912 was 5,338,837 tons, made up of exports from Persia, 194,249 tons, from Russian Central Asia, 583,774 tons; imports into Persia, 90,946 tons, into Russian Central Asia, 4,469,868 tons.

The chief articles exported from Persia in that year were rice, 68,135 tons; grain, 66,262 tons; cotton seed, 20,645 tons; wool and carpets, 6,516 tons; fruit, 5,914 tons; and timber, 4,056 tons. The export of raisins from Persia is a new and promising branch of trade.

The chief articles from Russian Central Asia were crude oil, 182,490 tons; timber, 122,963 tons; fish, 11,223 tons; drinking water, 98,310 tons; fruit, 5,859 tons; and cotton seed, 3,200 tons.

The chief articles imported by Persia were sugar, 49,796 tons; kerosene, 24,302 tons; flour, 9,692 tons; metals, 2,095 tons; and manufactured goods, 1,701 tons.

The chief articles imported by Russian Central Asia were petroleum products, 4,313,971 tons; rice, 35,779 tons; flour, 28,200 tons; metals, 15,000 tons; sugar, 8,232 tons; fruit, 7,966 tons; provisions, 6,872 tons; and tea, 6,624 tons.

The transit trade in tea had declined in comparison with 1910, when it amounted to about 18,000 tons (one-third from China and two-thirds from India).

These statistics from Baku only represent a part of the Russo-Persian transit trade, since considerable quantities of goods used to come by sea to Poti or Batum and were forwarded by rail through Tiflis and Julfa, a roundabout route, but the shortest available. The completion of the Julfa–Tabriz line in 1917 will

3: Anonymous U-4 (no date) 1920 RH1 Caucasia RH1

439 have greatly facilitated trade by this route. A direct line from Batum to Kars would, however, effect a still greater economy of cost and time.

A part of the Russian transit trade with Transcaspia and Persia passes through Petrovsk when the Volga is frozen. No statistics of this trade are available.

(D) FINANCE

(1) *Public Finance*

652 As a large portion of the Caucasus has only recently been incorporated into the Russian Empire, and parts of the country have been vacated by the former inhabitants owing to their dislike for Christian rule, the country has been treated more as a colony than as an integral portion of Russia. Details of revenue and expenditure are not easily available. It would, however, seem that vast sums have been spent in the past on settling the country, building military roads, &c., and that, owing to the rapid expansion of the oil industry and to fair success in some other mining ventures, together with sound agricultural development and the repute the country has gained as a tourist resort and for its medicinal springs, the revenue was gradually being adjusted to expenditure. The revenue is stated to have risen by 35 per cent. between 1906 and 1910.

651 Taxation in Russia as a whole was mainly indirect, only about 8 per cent. of the revenue being derived from direct taxes on land and trades and industries. Excise revenue furnished about 22 per cent., duties about 8 per cent., royalties (including the profit on the spirit monopoly) about 30 per cent., and profits from State undertakings (forests, railways, State factories, &c.) about 30 per cent. For the Caucasus considered separately, these proportions might differ in certain particulars. It is not possible to trace the incidence of expenditure in the Caucasus at all.

Local taxation is either urban or rural. In 1912 nine towns were entitled to raise revenue for urban

5: Allen H-4 (no date) 1923 RH1 Caucasia RH 1

Western Caucasus among the Cherkesses by Byzantine, Russian and Latin influence. It was not until the sixteenth century, when Turkish influence was strong in the Caucasus, and when the Russians were approaching from the north, that religion, as a political force, became a serious issue.

The relations between the Turks and the Cherkesses, Kabardans and Abkhazians were confined to the exchange of merchandise for slaves and raw materials. Such relations were mutually beneficial, for while the Turks obtained from the Caucasus brave recruits for their Janissary Corps and beautiful wives for their harîms, the young men of the mountains grasped eagerly at the opportunity of a brilliant military career in foreign lands, and the young women forwent with little misgiving the hard domesticity of the mountain huts for the lives of luxurious ease which lay beyond the slave-markets of Trebizond, Akhaltsikh or Constantinople. Militarily the Turks made no attempt to force their hegemony on the mountain tribes, while the latter for their part would have been quick to resent any encroachment on their independence. If Islam spread among the mountaineers, Cherkesses, Kabardans and Abkhazians, it was rather the result of casual but continuous contact with the Mussulman merchants and sailors than of any deliberate policy of proselytisation on the part of the Turks. And it was an easy faith, in the practice of which were mingled many old pagan superstitions and forgotten rites of Zoroastrian and Christian, and which lay as lightly on the mountaineers as had Christianity during the period of Bagratid influence. Klaproth, commenting on the propagation of the Muhammadan faith among the Kabardans during the latter half of the eighteenth century, remarks that "the Porte had endeavoured to spread the religion of Mohammed by means of ecclesiastical emissaries. . . . Their [the Kabardans'] *mullahs* or priests are generally freedmen of the princes or *usden* who go to the Tatars of Tabasseran or to Ender, where they learn to read and write a little, assume the title of *Effendi*, and return to their native country to instruct the people in the Mohammedan faith, and to detach them more and more from the connection with Russia." [1]

In Daghestan Islam had been maintained and consolidated, since the days of the Arabs, by constant contact with the Persians and Tatars of Shirvan. The Daghestanli were for the most part Sunni and, at times, vented their fanaticism on the Shiah townsmen of Derbend and Shemakha.

[1] Klaproth, p. 317.

5: Allen H-4 (no date) 1923 RH1 Caucasia RH1

But in 1914, while the production of the older wells was still decreasing, the newly exploited field of Benagadi was giving a steadily increasing output; and it is unquestionable that the oil-deposits of the South-eastern Caucasus are by no means exhausted, and many rich areas remain to be prospected and exploited.

(2) The Grozni Fields.—The petroliferous area round Grozni had been worked for some years to supply local needs when, in 1893, the European Petrol Company, a British concern, commenced scientific exploitation. The oil-bearing area, at present developed, covers an area of about 2,500 acres, while new areas in the neighbourhood have been prospected for a radius of about 30 miles. The whole district is believed to be extremely rich in petroleum products, and experts consider that its output may eventually rival that of Baku. The Kazbek Syndicate and the Anglo-Terek Co., both British concerns, also own important holdings.

(3) The Maikop Fields, originally exploited by British capital in 1908, have proved disappointing. The output has steadily declined since 1912, and little oil has been available for export, the bulk being consumed locally.

Other petroliferous areas are known to exist in the regions of Shemakha, Jevad, Lenkoran, Telav and Ozurgeti.

Export and Import Trade.—The bulk of the trade of Transcaucasia was, before the war, carried on with other parts of the Russian Empire, by Batum and Poti to the South Russian ports, and by Baku to Astrakhan and Central Asia. Further Transcaucasia enjoyed the benefits of a growing transit trade between the Mediterranean countries and Russia on the one hand, and Persia and Central Asia on the other.

The Transcaucasus exported into Russia the whole of the copper produced and a proportion of the manganese, together with the bulk of the production of tobacco, tea, raw silk and cocoons, wine, wool and fruit. In return Russia exported into the Transcaucasus machinery and other metal goods and cereals, supplying one-fifth of the consumption of grain in the Transcaucasus. This last item is significant, for it implies the partial dependence of the Transcaucasus, itself an agricultural country, on Russia for food-supply.[1]

On the other hand the Transcaucasus exported to Europe,

[1] "Somme toute, la balance de l'industrie rurale accusait, en Géorgie, avant la guerre, plutôt des déficits que des excédents; le manque de blé n'était pas compensé par un surplus des autres branches de l'agriculture" (V. Vohtinsky, *La Démocratie Géorgienne*).

5: Allen H-4 (no date) 1923 RH1 Caucasia RH1

439 by Batum and Poti, the bulk of the manganese output and large quantities of petroleum products, together with small quantities of silk and cocoons, timber, tobacco, wool and fruit. In return, the western countries sent machinery and tin plates (for oil cases and cans), textiles, stationery, china and glass, leather goods, fancy goods, etc.

The United States supplied the bulk of the machinery, the European countries the sundry imports. Until the end of the last century Great Britain controlled about 40 per cent. of the foreign trade of the Caucasus, but in recent years has been superseded by Germany, owing, to a great extent, to the more accommodating methods of German importers and to the superior knowledge and linguistic abilities of their travellers. In 1910 the share of Britain in the foreign trade of Caucasia had declined to 17 per cent.

The exports of petroleum products from Transcaucasia to Europe were steadily declining before the outbreak of war. The progressive development of American oil-fields, on the one hand, the revolutionary troubles in the Caucasus on the other, had tended to dislocate the trade with Europe, while the development of Russian industry and communications had created an increased demand from Russia. In 1913, out of 6,000,000 tons of petroleum products exported from the Caucasian fields, Russia consumed 5,000,000 tons, i.e. five-sixths of the output.

The outbreak of war and the subsequent disorders in Russia interrupted the entire economic life of the Caucasus; the closing of the Dardanelles prevented all communication with the Mediterranean, and the disorganisation of the Russian railways hindered the maintenance of regular relations with Russia. At the end of 1914 work ceased at the Chiaturi manganese-mines and at the copper-mines in the Chorokh Basin, while at Groni production was reduced owing to the difficulty of transport and to lack of storage accommodation. Baku continued to supply the requirements of the armies and of the interior of Russia, but towards the end of 1917 work there practically ceased.

The advent of the Germans in the summer of 1918 tended to relieve the situation, for, while they had not time to restore the production of the Baku fields, they hastened to export the large supplies of tobacco accumulated at Sukhum and of manganese at Poti.

During the period of independence from the summer of 1918 to the end of 1920 the economics of the Transcaucasus were in an extremely parlous condition. For Georgia, Armenia and

5: Allen H-4 (no date) 1923 RH1 Caucasia RH

Azerbaijan were suffering in a lesser degree from the same economic causes and effects which were then operating in Russia. The war and virtual isolation during four years from the commercial centres of the world had disorganised the whole structure of trade; the railways were in disrepair; factories and machinery were ruined; the peasants were working with worn-out tools, and they lacked the most common necessaries of their occupations and of everyday life. On the other hand, at a time of universal shortage, and with the opening of markets, which were equally in need but at the same time more approachable and more secure, there was little inducement to European capital to resume relations with the Transcaucasus. The export of petroleum by the pipe-line from Baku to Batum recommenced at the end of 1918, and some attempt was made to revive the tobacco and manganese industries in Georgia. But the three Transcaucasian Governments were hampered by the heavy expense involved in the repair of damaged property, in the relief of refugees, in the maintenance of the excessive numbers of officials—whose appearance seems inevitably to follow the establishment of a Socialist régime—and in the pursuit of militant foreign policies whereby to emphasise their national revindications. Economic isolation from Russia further increased the difficulties of the Governments of Georgia and Azerbaijan. On the one hand Denikin's blockade of the northern frontier prevented the transport of the necessary annual supply of grain from the North Caucasus; on the other, the closing of the Volga Basin prevented communication with the greatest market for Caucasian oil. As the Bolsheviks advanced in Southern Russia, the situation of Georgia grew worse. In 1917 the Georgian Government had been successful in negotiating an exchange of Sukhum tobacco for Ukrainian sugar, while they had revived the interest of some foreign importing groups. The Italians, indeed, sent a Commercial Mission to Tiflis. But with the successes of the Bolsheviks, the Georgian rouble fell, and foreign firms became even more chary of undertaking trade in Georgia. The capture of Baku and the occupation of the South-eastern Caucasus by the Bolsheviks was in reality a recognition of the principle—even by the conservative and nationalistic oil-magnates of Baku—of the economic dependence of the Caucasus on Russia. But if Baku depended on the Volga Basin for its market and on the Northern Caucasus for its food, Georgia depended on Baku for its fuel. Thus, without foreign military support and material assistance, it became inevitable that Georgia should submit to economic incorporation in Russia.

439